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ABSTRACT

This document explains the Higher Education Funding Council for England's (HEFCE) policy on sustaining and promoting diversity in higher education (HE), defining diversity, discussing current dimensions of diversity in England's HE, and noting areas where diversity perhaps should not be encouraged. It also discusses what is being done to encourage diversity, including: block grants; dual support for research; activity with businesses and the community; student premiums; specialist institution premiums; other institutional premiums; minority subjects (e.g., Assyriology, Sanskrit, and Horology); additional student numbers; HE in further education colleges; transfer of private HE providers into the HE sector; special funding initiatives; approach to strategic planning; and the restructuring and collaboration fund. The document concludes that HE offers considerable diversity in areas where diversity is desirable; mechanisms exist for sustaining and encouraging diversity; there are certain areas where consistency is more important than diversity; and it is important to remain open to arguments that current methods or programs are adversely eroding diversity. Appended are: HEFCE Sector Strategy Committee membership; 1999 Seminar on Diversity attendees; institutions which currently receive specialist premiums; institutions which currently receive a premium for small institutions; and principles for considering applications from private HE providers to transfer into the HE sector. (SM)

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ED 446 562

August 00/33

Consultation

Respond by 30 November 2000

Diversity in higher education: HEFCE policy statement

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HIGHER EDUCATION hefce FUNDING COUNCIL FOR ENGLAND

Diversity in higher education: HEFCE policy statement

To	Heads of HEFCE-funded higher education institutions Heads of HEFCE-funded further education colleges Heads of universities in Northern Ireland
Of interest to those responsible for	Strategy; planning; finance
Reference	00/**33**
Publication date	August 2000
Enquiries to	Sue Vaudin tel 0117 931 7484 e-mail s.vaudin@hefce.ac.uk Jacqueline Wilson tel 0117 931 7434 e-mail j.wilson@hefce.ac.uk

Executive summary

Purpose

1. This document sets out the HEFCE's policy on sustaining and promoting diversity in higher education.

Key points

2. Diversity is widely agreed to be a desirable feature of higher education. But some have argued that diversity, particularly institutional and organisational diversity, is under threat and that more should be done to sustain and promote it.

3. This document aims to contribute to that debate by identifying what constitutes diversity, why it is thought desirable, and the aspects of higher education where it does not apply. It also summarises the various ways in which the HEFCE seeks to support and develop appropriate diversity.

4. The main conclusions we draw are:

a. Higher education offers considerable diversity in those areas where diversity is desirable.

b. Mechanisms are in place for sustaining and encouraging diversity, which appear to be working reasonably well. But their effectiveness and fitness for purpose, both individually and in aggregate, need to be kept under review. The nature of desirable diversity will itself keep developing, and we recognise that the impact on diversity should be a test which we always apply to future policy development.

c. Many of those mechanisms depend on the willingness of universities and colleges to take opportunities to develop their own distinctiveness, and to use the discretions which

current arrangements provide. That willingness is influenced by a variety of beliefs and assumptions which go beyond the remit of a funding council.

d. There are certain areas where consistency is more important than diversity; and many other areas where diversity is one objective, but has to be balanced against others (including quality, equity and cost-effectiveness).

e. We remain open to arguments that our current methods or programmes are adversely eroding diversity, or that new ways are needed to promote diversity, and welcome debate on what those methods or ways might be.

Action required

5. This document is a position statement. No action is required in response, but any comments would be gratefully received, as contributing to the continuing debate. Please send any comments, by **30 November 2000**, to:

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Introduction

6. This document explains the HEFCE's policy in sustaining and promoting diversity in higher education. Its purpose is to encourage debate about the nature and extent of diversity: how much there is, how much there should be, and whether more should be done to promote it.

7. Diversity in higher education is generally agreed to be a desirable thing. That assumption is reflected in our mission statement[1] and in our strategic aims.[2] A commitment to diversity is also shared by the Government and the sector's representative bodies.

8. Yet there have been long-standing concerns that in practice diversity is not being sustained, but on the contrary risks being eroded by factors tending to promote uniformity. However, the force of those concerns is hard to assess because of the lack of clarity over what is meant by diversity and why it is thought to be valuable. It is important to achieve a better collective understanding of the issues, as a basis for deciding what steps, if any, should be taken by the HEFCE or by others.

9. In this document we address the following questions:

a. What do we mean by diversity?

b. Are there areas where we would not wish to encourage diversity?

c. What are we already doing to support diversity?

d. What are the issues to be resolved in deciding the next steps?

10. We have no presumption that any new initiative is required, by the HEFCE or any other body. It may be that a consensus will be established that the current position is satisfactory. But we welcome views on whether there is more that we should be doing, and if so, what.

11. This statement has been developed with the assistance of the HEFCE's Sector Strategy Committee and a sub-group of that committee established specifically to consider diversity issues; the membership is at Annex A. It also reflects discussion at a seminar held in November 1999, with representatives of higher education institutions (HEIs), students and employers: the list of attendees is at Annex B. We are grateful to all those who have contributed so far.

What do we mean by diversity?

12. A diverse higher education (HE) sector is one with the capacity to meet the varying needs and aspirations of those it serves: students, employers, purchasers of HE services, and the wider community. Those needs and aspirations are becoming increasingly varied, most obviously in the expectations, abilities and circumstances of students as participation in higher education gets progressively wider, but also in the understanding of how higher education can contribute to the economic, social and cultural development of the nation. In this sense, diversity of HE provision is not an end in itself. It is a means of securing the best fit with the needs and wishes of stakeholders, both current and future. Diversity is valuable to the extent that it helps to improve that fit. It should develop and expand to keep pace with changing circumstances, and should itself help to shape and raise aspirations and expectations.

13. However, the promotion of diversity cannot be the sole objective in the development of higher education. Taken in isolation, diversity could always be increased through greater tailoring of programmes or differentiation of institutions to meet the needs and wishes of individual students, employers and others. But such individualisation will tend to increase costs, notably in teaching and administration, by forgoing economies of scale. So

[1] Our mission statement is: 'Working in partnership, we promote and fund high-quality, cost-effective teaching and research, meeting the diverse needs of students, the economy and society.'

[2] Strategic aim j is to: 'Maintain and encourage the development of a wide variety of institutions with a diversity of missions that build upon their local, regional, national and international strengths and are responsive to change, within a financially healthy sector.' See 'HEFCE strategic plan 2000-05' (HEFCE 00/22).

diversity has to be balanced against the resources available, from public and private sources. The goal must be to secure the pattern of diversity that most cost-effectively meets the needs and aspirations of the greatest number of stakeholders.

14. A diverse HE service should be able to provide choices of curriculum offer; choices as to the mode, pace and place of delivery; choices regarding the physical and intellectual environment available; and choices between a range of different institutional forms and missions. Providing these choices requires:

a. A diversity of institutional types.

b. Diversity between and within institutions.

c. A capacity for dynamism, responsiveness and change within the sector.

Current dimensions of diversity

15. Higher education in England is highly diverse. We have:

- 130 HEIs in the publicly funded higher education sector, including 76 universities and 16 general HE colleges
- 38 specialist institutions, including colleges of art, music, dance, agriculture, pharmacy and education
- 228 further education colleges which are directly funded by the HEFCE for higher education programmes, and 263 colleges which deliver HE programmes through franchises with an HEI (these groups overlap, since many colleges have both directly and indirectly funded HE programmes)
- a range of private institutions providing higher education, some of which receive public funding (for example, the dance and drama schools funded through HEIs under the dance and drama awards scheme)
- a range of HEFCE grant allocations to individual institutions for teaching and research, from less than £500,000 a year to nearly £140 million
- a range in the proportion of public funding within institutions' overall income, from less than 20 per cent of total income to over 90 per cent
- a range of student numbers from less than 120 full-time equivalent (FTE) HE students to some 20,000 FTEs at the largest conventional university, and nearly 42,000 FTEs at the Open University
- over 775,000 full-time and 490,000 part-time students; over 235,000 mature students; and over 180,000 postgraduate students.

16. The maps and graphs contained in the HEFCE publication 'Regional profiles of higher education' (HEFCE 99/27; year 2000 edition to be published shortly) further illustrate the current range.

17. This situation has developed partly as a consequence of the significant expansion in HE student numbers during the 1980s and 1990s, combined with a decline in the unit of resource available. Universities and colleges have shown great adaptability in dealing with these two factors, and produced a wide range of choices for students to pursue, in terms of subject, mode, level and method of delivery.

18. We need to address diversity both within and between HEIs. Our presumption is that diversity within HEIs is primarily a matter for each institution to determine. That includes: deciding the institution's particular mission, objectives and strategy; the courses and qualifications it offers; the modes and levels of programmes; its teaching methods; the strength of its orientation towards research, and its research strategy; and the ways in which it works with business and the wider community.

19. There are many ways in which we can sustain and promote diversity, both within and between institutions, as discussed below. But in general our function is to provide a supportive framework within which institutions can decide their own positioning, rather than seeking to decide that positioning for them. Maintaining diversity sufficient to meet future as well as current needs

requires constant adaptation. That is much more likely to happen if driven by the choices of individual institutions rather than by an attempt at central planning.

20. Diversity within institutions depends largely on the determination of individual universities and colleges to take the initiative in identifying and building a mission for themselves which will best meet the disparate needs of the students, employers, and other partners they are seeking to serve. That entails considering what are the aims and activities they share with some or all other HEIs, and what are the areas of difference that make them distinctive. Arguably HEIs have more in common with each other than differences between them, particularly in terms of shared aims and values. But each institution should articulate the options realistically available to it, so that its choice of positioning is conscious.

21. We can exert particular influence in shaping the pattern of diversity between institutions through our decisions on which institutions are funded, for what, and at what level. We can design and administer our funding methods and programmes in ways which are more, or less, conducive to diversity, reducing existing barriers and avoiding the accidental creation of new ones.

Are there areas where we should not encourage diversity?

22. We need to ask whether there are any boundary tests that should be applied, in terms of forms of diversity which are undesirable. We see merit in the argument of one commentator that institutional diversity should be defined as 'defensible difference'. Autonomous institutions should pursue diversity but be prepared to justify their actions.

23. There are three areas relevant to the HEFCE's remit where we believe that consistency is preferable to diversity:

- quality and standards of HE programmes
- funding for teaching
- accountability.

Quality and standards

24. We believe that some measure of consistency is required in respect of quality and standards. It was traditionally a presumption of British higher education that an HE qualification should denote a broadly comparable level of achievement irrespective of the institution at which it was obtained. There is debate about how far that presumption retains any validity, given the rapid expansion of the past 15 years, the variation in students' abilities and aptitudes, and differences in institutions' circumstances, endowments and missions. Some commentators have argued against the presumption of comparability altogether, advocating a more purely market-based system. But such a change would have profound consequences. Our objective is to ensure that all students receive a quality of HE experience suited to their interests, aptitudes and aspirations. Accordingly we believe that there should, at the minimum, be common expectations of threshold quality and standards of HE programmes below which no institution should fall.

25. That does not imply uniformity of content or method. It does imply establishing a shared and explicit understanding of appropriate baselines for quality and standards, and the means of assessing whether they are being met. The work being done by the Quality Assurance Agency to develop a qualifications framework and subject benchmarks should promote that understanding. At the same time, however, innovation, creativity and considered risk-taking are as essential in the design and delivery of teaching programmes as in other university and college activities. Diversity will be undermined if the quality assurance framework is applied in a way which emphasises compliance and box-ticking rather than originality and innovation, and if the benchmarks serve to constrain the dynamic development of subject areas. Getting the right balance here will be a major challenge.

Funding for teaching

26. While our role is to maintain and encourage institutional diversity, this should not be at any cost. There must be a balance between institutional diversity, institutional viability, and equity in the

funding of different types of institution. So a key principle of our funding method for teaching is that similar activity should be funded at similar rates, calculated on a formulaic basis and driven by student numbers. 'Activity' here primarily means the teaching of subjects with broadly similar cost structures – for example, those that are classroom based rather than laboratory based. Variations in these funding levels should only be made in the light of explicit factors, and institutions should not receive significant additional public funding merely on the basis of their historic funding levels. There is ongoing debate about which parameters should be reflected in the funding model and at what level, for example to reflect the additional support that may be needed by students from disadvantaged backgrounds. But the basic principle of comparable funding helps to minimise the erosion of the unit of resource, and provides students with an assurance that they should be resourced appropriately wherever they might choose to study.

27. This approach has one major consequence for diversity: we will not allocate additional funds to institutions just so that they can remain independent, if that additional funding cannot also be justified by reference to the quality, cost and distinctiveness of their provision. Institutional mergers between higher education institutions continue to take place. Some people have taken this as evidence of diminishing diversity. But the maintenance of a given number of separate institutions is not a goal in its own right if it requires extra funding without achieving a better fit with stakeholders' needs.[3]

28. Where an institution concludes that it is not able to sustain financial viability and academic health on standard funding, we do not believe it would be appropriate to allocate additional funding to avert merger at any cost. Within a cash-limited total for HEFCE grant, such funding could only be at the expense of other HEIs who may be able to use that money to better effect in securing intra-institutional diversity. Given the advantages of size, including the range of experience which can be offered to students, the opportunities for inter-disciplinary research and teaching, achievement of 'critical mass' in subject departments, and the potential for economies of scale in administration, we do not want to stand in the way of mergers where institutions believe they would add strength. We have a presumption in favour of supporting partnerships and collaborations, believing that they have substantial scope to add value in higher education. Mergers are only one form of collaboration, and we have no presumption that a merger is the best way to proceed: that will be a matter for the institutions concerned to judge.

Accountability

29. All universities and colleges recognise the need to account for the public funds they receive. Higher education has, in general, a very good record in securing consistently high standards of value for money, propriety and regularity in the use of public funds. Our procedures for financial control, monitoring and audit are designed to ensure that that remains the case, by securing consistent application of certain expectations about accountability.

30. However, we recognise an obligation to ensure that our procedures impose the minimum necessary burden, and that they allow for different but equally legitimate ways of achieving the common objective. To provide a clearer understanding of the accountability burden on institutions, we have commissioned a study to map current requirements and examine the scope for reducing the aggregate burden.

31. We also recognise that, if applied in a heavy-handed and recriminatory way, accountability procedures can discourage risk-taking. The future health and diversity of the sector depends on institutions taking risks in developing new activities. Those risks need to be carefully considered and well-managed, but with that caveat, we should encourage greater willingness to take the risks necessary to secure innovation.

[3] The HEFCE approach to mergers in higher education is set out in Annex A to HEFCE 99/34 'Restructuring and Collaboration Fund: Progress report on approved projects'.

What are we doing to encourage diversity.

32. This section summarises the main ways in which we seek to sustain and encourage a diverse HE sector.

The block grant

33. We are committed to a funding regime based on the block grant. This is one of the most powerful ways of retaining institutions' flexibility in the way they deploy their HEFCE funds, and thus allows a diversity of approach. Institutions have discretion to decide how to spend their total grant on the different programmes they offer, subject to meeting their overall funding contract. The funding method allows for different funding routes, notably franchised and consortium funding for programmes delivered through further education colleges. Some commentators argue that the transparency of our funding method can militate against diversity, because institutions feel constrained to follow the assumptions of our method (notably about the relative costs of different subjects) in their internal resource allocation. They fear that this will be compounded by the current costing and pricing review. We believe nonetheless that the benefits of transparency outweigh that risk.

Dual support for research

34. Our funding for research provides most HEIs with some funding for research infrastructure, together with substantial selectivity in support for institutions undertaking high quality research. This allows different institutions to decide what part research should play in their mission, and to identify areas where they will seek to demonstrate research strength in the periodic research assessments. Our contribution to 'dual support' funding is particularly significant in maintaining institutional flexibility, because it is not tied to specific projects but allows institutions discretion in deciding where and how to develop their research infrastructure.

Activity with business and the community

35. Traditionally, teaching and research have been seen as the two primary functions of HEIs. But many universities and colleges have developed a wide range of other activities, working with business, employers and the wider community. For some that is now an important and distinctive part of their mission. Our Higher Education Reach-out to Business and the Community Fund is designed to recognise this third area of activity. We hope that it will grow significantly over time, and thereby reduce one of the factors which militates against diversity – namely, the pressure which some institutions feel to develop a wide-ranging research programme, even if it has not previously been part of their mission, as the best means of securing significant core funding in addition to teaching grant.

36. In introducing the Business and Community Fund, we have assumed that all universities and colleges should undertake some form of engagement with the wider community, and that diversity applies primarily in terms of how each HEI chooses to do so.

Student premiums

37. Our funding method recognises that some types of student generate greater demands on resources demands. We allocate additional funding for part-time and mature students. We also introduced last year a new premium to reflect the costs for universities and colleges of widening participation to under-represented groups. In these ways, we are trying to ensure that, in making their own decisions about recruitment, institutions have resources to widen the diversity of their student intake and provide the support to enable those students to complete their courses successfully.

Specialist institution premiums

38. One of the most important ways in which we seek to sustain institutional diversity is through allocating funding premiums to specialist institutions which can demonstrate high quality and distinctive provision which would not be viable if funded at standard rates. When our current funding method was first introduced in 1998, a panel

chaired by Sir Stewart Sutherland reviewed the specialist premiums which should be paid (HEFCE 98/10). The institutions which currently receive specialist premiums are listed at Annex C. We are reviewing those premiums to ensure that they remain justified, and will publish our conclusions separately. The balance we seek to strike is to sustain excellence and distinctiveness, while ensuring that claims to such excellence are subject to periodic external review and that additional funding is associated where possible with objective cost factors.

Other institutional premiums

39. Our funding method recognises other dimensions of institutional diversity. The most important supplements are:

a. A premium for small institutions, to recognise that the corporate and administrative structures which are necessary in all HEIs mean that there are diseconomies of scale associated with small size. The institutions in receipt of this premium are listed in Annex D.

b. A premium for universities and colleges housed in old and historic buildings, to recognise their additional operating costs.

Minority subjects

40. Some subject areas attract so few students that they could not remain viable if funded at the normal price-band rate. Yet there may be good reasons – academic, cultural, commercial or other – for sustaining their presence in higher education, as part of its subject diversity. We have therefore operated for some years a programme to allocate additional funds to minority subjects such as Assyriology, Sanskrit, Leather Technology, and Horology (the most recent allocations are set out in HEFCE 00/17). The current programme supports existing provision in defined subject areas.

Additional student numbers

41. We do not plan from the centre which subjects should grow, and where, but rely on institutions to identify and respond to changing patterns of demand from students and employers, nationally, regionally and locally. Our annual bidding exercise for additional student numbers enables institutions to determine for themselves whether they wish to grow, and if so in what subject areas, modes and levels, within a broad framework of national priorities. Currently, those priorities are: expanding provision below degree level, widening access to higher education, employability, and increasing student choice particularly in the regional context. The programme also allows institutions to expand areas of provision where they can demonstrate high quality. We hope that universities and colleges will take the opportunity of the new foundation degrees to widen diversity of course type away from the traditional three-year honours degree.

HE in further education colleges

42. The institutional diversity of higher education is being greatly increased through the growth of HE programmes in further education colleges (FECs). From our foundation in 1992, we have funded some HE programmes in FECs; up until 1998-99, this was limited to some 70 colleges. As a result of the transfer of funding for a wider range of HE programmes from the Further Education Funding Council to us, from 1999-2000 we have been funding HE in some 230 colleges. The emphasis on widening participation and growth of part-time, locally accessible, sub-degree courses means that priority has been given to expanding HE programmes in FECs, and that is likely to continue if the student demand is there. We have taken this as an opportunity to review the way we fund HE in FECs, and have now established an approach which we believe will encourage the development of distinctive, innovative and high quality programmes in a much larger network of HE providers.[4]

[4] The main documents setting out the evolution of our approach to funding HE in FECs are: 'Guidance for colleges on funding options' (HEFCE 99/36); 'Code of practice on indirectly funded partnerships' (HEFCE 99/63); 'Draft code of practice for consortia' (HEFCE 00/02); 'Development fund for learning and teaching' (HEFCE 00/09).

Transfer of private HE providers into the HE sector

43. There are some 40 private sector providers of HE whose programmes have been designated to enable their students to claim support towards payment of fees. In 1999 the Department for Education and Employment (DfEE)invited those institutions to consider, in the light of the new student support arrangements, whether they wished to apply to enter the HE sector and thereby become eligible for direct HEFCE funding. A small number are pursuing this route. Potentially such transfers could enrich the institutional diversity of the sector. But there needs to be confidence that the institutions could meet the same expectations as existing HE sector institutions in relation to academic, financial and managerial soundness. The HEFCE Board considered the principles on which such transfers might be recommended. These are set out in Annex E.

Special funding initiatives

44. One of our main methods for securing change in HE, and pursuing sector-wide objectives, is through special funding initiatives where we offer limited additional funding tied to specific purposes. Some commentators argue that this is inimical to diversity, because all universities and colleges feel obliged to seek their share of the extra funding. This constrains them to align their priorities and objectives with those of the funding programmes whether or not this reflects the institution's core mission. It is further argued that diversity would be better served by giving institutions more discretion to determine how to use any development funding.

45. In addition, smaller HEIs are concerned that the cumulative impact of special funding exercises is difficult for them to manage, both in terms of finding the managerial time to prepare strategies and monitoring returns, and in terms of the financial impact if several funding initiatives come to an end at the same time. We recognise our responsibility to keep under review not just the effectiveness of our individual programmes but their aggregate impact.

46. On the other hand, we and the sector will always need to demonstrate that the public funds provided for higher education are securing the broad objectives set by the Government of the day. We are seeking to manage these tensions by focusing our special funding initiatives on each institution's plans for securing the stated objective. This principle applies in our funding programmes for learning and teaching, widening participation, work with business and the community, and project capital. In each case, we have asked universities and colleges to say what strategy they would wish to adopt, consistent with their individual mission and objectives, in spending the funds, rather than prescribing a set of centrally determined activities for them.[5]

Approach to strategic planning

47. Our approach is based on a presumption that all HEIs should use corporate planning as a means of identifying, through discussion internally and with their external stakeholders, their mission and the means of achieving it. Our role is not to determine that mission but to offer, for example through the Restructuring and Collaboration Fund, suitably discriminating support in helping the institution achieve its chosen mission.

48. It has been argued, paradoxically, that diversity might be better served by a more centrally influenced approach. There is a concern that competition in student recruitment, the continuing drive for efficiency, and the uniformity of assumptions about the desirable model for an HEI (including a research-intensive mission) combine to push too many institutions into trying to occupy the same common ground. On that argument, stronger counter-balancing incentives towards difference may be needed. Our presumption remains, however, that the imperative of a dynamic and responsive HE service is best secured by placing the initiative with

[5] For descriptions of how each special funding programme works, see HEFCE 99/26 on learning and teaching, 99/07 on widening participation, 00/05 on the Business and Community Fund, and 99/52 on project capital.

each university and college to determine its own strategy. Our role is to ensure that, within available resources, there are mechanisms which enable each institution to pursue that strategy successfully.

49. Some commentators have suggested that a means of balancing these tensions might be to move towards a more aggregated development fund distributed on an entitlement basis, but to be spent in support of a range of specified national priorities. Institutions might then have greater discretion to decide how to balance the range of priorities they would use this funding to pursue. Such an approach raises a number of fundamental issues which would need to be considered further.

50. Consistent with the assumption of institutional diversity, our HEI performance indicators[6] recognise the variety of institutional types and missions, by allowing actual performance to be compared with a benchmark representing standard performance for an institution with that pattern of student intake and subject range. The message we were seeking to convey was that each institution's performance has to be seen in the context of its own mission.

51. It has been argued, however, that publication of performance indicators inevitably has a normative force, discouraging institutions from recruiting certain types of student, or from introducing innovative teaching methods, for fear that subsequent performance in the published indicators may be harmed. We claim no more for the indicators than that they can usefully prompt questions about institutions' performance – and where institutions believe there are good reasons why their indicators diverge from the benchmark, they need to be robust in explaining that. But we will continue to examine the indicators and benchmarks to try to minimise any distorting impact on institutional behaviour.

Restructuring and Collaboration Fund

52. Preceding paragraphs have summarised the various means of sustaining existing diversity, but diversity itself needs to change. Primary responsibility for delivering change within institutions rests with institutions. However, there can be cases where external support is needed because the cost of change is greater than a single institution can manage by redeployment within standard funding, or because no one existing institution would have sufficient incentive to take the lead.

53. Our Restructuring and Collaboration Fund exists to support such cases. It is being applied in particular to support collaborations, and to pump-prime new initiatives. It is the mechanism we use to help establish new institutions and organisations where a need is identified, for example the Liverpool Institute of Performing Arts, regional HEI consortia, the Institute for Learning and Teaching, and the e-University project.

Challenges and questions

'Higher education is a social institution of extreme longevity. A product of medieval Europe, it has become a truly global institution and lasted nearly a thousand years. It has done so because it has continued to adapt; ... (and) the pace of adaptation has accelerated, especially over the last half century.'

Barnett – Beyond Competence, in 'Repositioning Higher Education'

54. One of the most valuable aspects of a diverse HE system is that it is better positioned than a uniform system to respond to entirely new situations in new ways. Many universities and colleges have demonstrated the ability and willingness to adapt (through, for example, the substantial increase in student numbers, the continuous updating of subject portfolios, the incorporation of nurse education within higher education, the exploitation of new technologies, and the response to a range of new funding initiatives)

[6] HEFCE 99/66 contained the first published set of HE performance indicators. They will be updated annually.

while simultaneously delivering a high degree of institutional stability. The importance of maintaining this stability should not be overlooked. It is a key factor in maintaining significant elements of the HE 'brand value' both at home and abroad. Retaining this stability while encouraging dynamism will be a challenge for us and for institutions.

55. Much of our focus has been on sustaining and encouraging the institutional dimension of diversity. Our funding approaches generally treat the institution as the building block of the whole system. This holds true even where we fund consortia. Given this, it poses a challenge as to whether we can, or should, seek to identify ways to facilitate collective action by the sector as a whole.

56. There are several other factors emerging as significant influences in the external environment:

- the globalisation of HE, both in the institutions which provide it and the student and employer markets it is serving
- the use of IT to access suppliers of, or customers for, HE
- the decreasing shelf-life of 'knowledge' in some subject areas
- the increasing diversity of needs, abilities and aspirations of the groups served by HEIs – students, employers, and those who draw on the research, training and other HEI capacities
- growing expectations of the role that HEIs can and should play in active engagement regionally and locally as well as nationally and internationally, particularly in respect of regional economic regeneration and social inclusion.

57. Both separately and in combination these factors pose significant challenges. Many of the most effective responses may be entirely novel. It will be important for us to identify ways to encourage and support such responses, ranging from new academic areas and means of delivery through to entirely new institutions.

Conclusion

58. We will continue to keep under review our approach to diversity, and the impact of our policies and programmes on diversity. But from this initial analysis, the main conclusions we draw are:

a. Higher education offers considerable diversity in those areas where diversity is desirable.

b. Mechanisms are in place for sustaining and encouraging diversity, which appear to be working reasonably well, but their effectiveness and fitness for purpose, both individually and in aggregate, need to be kept under review. The nature of desirable diversity will itself keep developing, and we recognise that the impact on diversity should be a test which we always apply to future policy development.

c. Many of those mechanisms depend on the willingness of universities and colleges to take opportunities to develop their own distinctiveness, and to use the discretions which current arrangements provide. That willingness is influenced by a variety of beliefs and assumptions which go beyond the remit of a funding council.

d. There are certain areas where consistency is more important than diversity; and many other areas where diversity is one objective, but has to be balanced against others (including quality, equity and cost-effectiveness).

e. We remain open to arguments that our current methods or programmes are adversely eroding diversity, or that new ways are needed to promote diversity, and welcome debate on what those methods or ways might be.

Invitation to respond

59. We would welcome comments on this document. It would be helpful if they could be structured under the following headings:

a. What is meant by diversity in higher education?

b. Which are the most important dimensions of diversity?

c. Which are the aspects of higher education where diversity is undesirable?

d. Is the sector more, or less, diverse than it was?

e. In what ways is diversity currently being enhanced?

f. In what ways is diversity currently being eroded?

g. On balance, is there sufficient diversity in higher education?

h. If not, where are the main gaps?

i. What action should be taken, and by whom, to address those gaps?

60. Please send any comments, by 30 November 2000, to:

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HEFCE
Northavon House
Coldharbour Lane
BRISTOL
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Annex A

HEFCE Sector Strategy Committee: Membership

Professor Sir Stewart Sutherland (Chair)
Principal and Vice-Chancellor
University of Edinburgh

Professor John Tarrant
Vice-Chancellor
University of Huddersfield

Mr James Wright
Vice-Chancellor
University of Newcastle upon Tyne

Ms Caroline Neville
Principal
Norwich City College of Further and Higher Education

Mr David Ritchie
Regional Director
Government Office for the West Midlands

Professor Roderick Floud
Provost
London Guildhall University

Mr Dick Coldwell
Chair to the Board of Governors
at the University of North London

Mrs Joan Bingley
Chartered Secretary in Public Practice

Dr David Potter (from 1 March 2000)
Chairman and Chief Executive of Psion plc

Mr Tony Evans (from 1 March 2000)
Headmaster
King's College School, Wimbledon

Professor Alan Livingston (from 1 August 2000)
Principal
Falmouth College of Arts

Professor Eileen Baker (from 1 August 2000)
Principal
Bishop Grosseteste College

Mr Stephen Marston
Director for Institutions
HEFCE

Mr Rama Thirunamachandran
Regional Consultant for the South-East
HEFCE

SSC Sub-Committee on Diversity: Membership

Mr Dick Coldwell (Chair)
Chair to the Board of Governors
University of North London

Mr David Ritchie
Regional Director
Government Office for the West Midlands

Dr Geoffrey Copland
Rector and Vice-Chancellor
University of Westminster

Mr James Wright
Vice-Chancellor
University of Newcastle

Mr Stephen Marston
Director for Institutions
HEFCE

Mr Derek Hicks
Regional Consultant for the Eastern Region
HEFCE

Mrs Jacqueline Wilson
Higher Education Adviser
HEFCE

Annex B

Seminar on diversity, 24 November 1999: Attendees

Dr Adams
Dean for Strategic Development
University of Leeds

Mr Cliff Allan
HEFCE

Professor Ronald Barnett
Institute of Education

Mr Andrew Bottomley
PricewaterhouseCoopers

Mr Richard Brown
Council for Industry and Higher Education

Dr Roger Brown
Southampton Institute

Professor Patrick Coldstream
Institute of Education

Mr Dick Coldwell
University of North London

Dr Geoffrey Copland
University of Westminster

Professor Gary Crossley
Surrey Institute of Art and Design

Mr Keith Dugdale
KPMG

Mr Jonathan Emmins
National Union of Students

Mr Peter Forbes
The Association of Graduate Recruiters

Mr Carl Gillyeard
The Association of Graduate Recruiters

Professor John Goddard
University of Newcastle upon Tyne

Mr Mike Hipkin
DfEE

Professor Phil Jones
University of Sheffield

Professor Robert Lindlay
Institute of Employment Studies

Ms Elizabeth Maddison
University of Brighton

Mr Adam Nichols
STADTA

Mr Brian Roper
University of North London

Sir William Stubbs
The London Institute

Professor Sir Stewart Sutherland
University of Edinburgh

Mr Quentin Thompson
PricewaterhouseCoopers

Professor Leslie Wagner
Leeds Metropolitan University

Baroness Warwick
CVCP

Mr James Wright
University of Newcastle upon Tyne

Annex C

Institutions which currently receive specialist premiums

Central School of Speech and Drama

Cranfield University

Dartington College of Arts

Institute of Education

Falmouth College of Arts

The College of Guidance Studies

Harper Adams University College

Homerton College, Cambridge

Kent Institute of Art and Design

University of London – Institutes and activities

London Business School

London School of Economics and Political Science

London School of Hygiene and Tropical Medicine

The London Institute

Loughborough University

Northern School of Contemporary Dance

Ravensbourne College

Rose Bruford College

Royal Academy of Music

Royal College of Art

Royal College of Music

Royal Northern College of Music

Trinity College of Music

Wimbledon School of Art

Annex D

Institutions which currently receive a premium for small institutions

Bishop Grosseteste College

University of Cambridge

Central School of Speech and Drama

Dartington College of Arts

The College of Guidance Studies

University of London – Institutes and activities

Institute of Cancer Research

London Business School

London School of Hygiene and Tropical Medicine

Northern School of Contemporary Dance

Norwich School of Art and Design

University of Oxford

School of Pharmacy

Ravensbourne College

RCN Institute

Rose Bruford College

Royal Academy of Music

Royal College of Art

Royal College of Music

Royal Northern College of Music

Royal Veterinary College

Trinity College of Music

Wimbledon School of Art

Writtle College

Wye College, University of London

Annex E

Principles for considering applications from private HE providers to transfer into the HE sector

1. The process whereby a private sector provider of HE programmes may transfer into the HEFCE-funded sector has the following features:

a. The private institution has to submit a formal written request to the Secretary of State for Education and Employment seeking designation as an HE institution.

b. The DfEE invites the advice of the HEFCE to inform the decision of the Secretary of State – the basis for this advice is largely determined by the HEFCE and confirmed by the HEFCE Board.

c. On receipt of advice, the Secretary of State decides whether to make an Order of Designation.

d. Implementation of an Order of Designation is a matter for the HEFCE and DfEE in discussion with the institution.

2. Under the Further and Higher Education Act 1992, any institution seeking designation must have at least 55 per cent of its full-time equivalent student roll capable of being defined as higher education. Meeting that condition does not make designation automatic. The Secretary of State has discretion to decide whether or not to designate in all the circumstances.

3. Taking the main features of this process as our starting point, we have developed some principles for framing the advice we give to the Secretary of State. These need to take account of sector-wide as well as institution-specific issues – notably, the costs to the sector, the benefits that a new institution might bring, the strategic importance of the area, the state of student demand, and the overall quality of the provision.

4. We would expect, other things being equal, to advise the Secretary of State to accept an application for designation where an institution meets the following principles:

a. **The institution should meet one or other, but not both, of the following criteria:**

   i. The institution brings new or highly distinctive provision into the sector (primarily in terms of subject, but possibly also in terms of learning environment or approach), and so would add to the sector's diversity, but in an area which has academic credibility as a fit subject of specialism for an HE institution.

   ii. The institution makes provision which, in subject coverage or delivery, is already found in the HE sector, but the institution has a standing and repute such that it would enhance the sector overall.

b. **In addition, the institution should meet both of the following criteria:**

   i. The institution can demonstrate strong demand from students and a strong graduate employment record.

   ii. The institution can demonstrate that its reputation is merited and can be sustained, in the sense that its provision meets appropriate quality standards expected of HE sector institutions.

5. We will consult the Quality Assurance Agency (QAA) as necessary in reaching conclusions on these issues.

6. In addition to the broad principles, we also need to develop a set of tests to address the institution-specific issues. Where an institution is seeking to come into the HEFCE-funded sector, it would need to prepare a case addressing the key areas. Such a case would have to meet the necessary standards in each area for the case to be passed to the Board for approval. The main areas proposed are:

a. **Financial viability/financial health** – we would require institutions to prepare a full set of five-year financial forecasts with detailed commentary on the assumptions used, and to submit audited accounts for the three years prior to their application.

b. **Governance and accountability** – we would require institutions' governance and financial reporting arrangements to meet all statutory requirements and the requirements contained in our Financial Memorandum.

c. **Quality and quality assurance** – we would require institutions to provide evidence of both the quality of their provision and how they do, or would in the future, quality assurance of their provision. This could be through the use of relevant QAA reports, reports from any existing HEI validating their programmes, or professional body accreditation.

d. **Corporate planning** – we would require institutions to demonstrate that they had the capacity to develop corporate plans broadly in line with HEFCE's newly developed guidance on this area. We would also expect institutions to address where possible other identified HEFCE priorities such as widening participation and learning and teaching.

e. **Estates issues** – we would require institutions to have an estates strategy covering at least a five-year period from the year of proposed entry to the sector. Even if they are viable in terms of recurrent funding, we would not take normally take on institutions with inadequate estates which will represent a heavy call on our capital funding.

f. **Data issues** – we would expect institutions to have the capacity to meet all the necessary data capture and reporting requirements for HEFCE and the Higher Education Statistics Agency (HESA).

g. **Management issues** – we would require institutions to show evidence of sound management structures and procedures through the provision of a critical commentary within any case submitted.

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